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06 November 2003

U.S., Russia Hail First Joint Venture in Closed Nuclear City

Numotech of California teams with Spektr-Conversion to manufacture medical products

U.S. Energy Secretary Spencer Abraham and Russian Atomic Energy Minister Aleksandr Rumyantsev on November 5 announced a joint venture between a California company (Numotech, Inc.) and a Russian company (Spektr-Conversion, LLC) to manufacture medical components, equipment and devices in the formerly closed Russian nuclear city of Snezhinsk.

The Department of Energy (DOE) said it is the first such joint business venture, and that it is expected to create some 400 permanent local jobs in Snezhinsk.

The project furthers DOE's nonproliferation efforts. DOE's Russian Transition Initiatives program is aimed at helping transform the infrastructure of the Russian nuclear weapons complex to permanent non-military, commercial uses. Nearly 100 scientists who previously worked on the design and manufacture of Russia's nuclear weapons are now employed at Spektr-Conversion.

The announcement was made at the "Partnerships for Prosperity & Security" conference in Philadelphia, Pennsylvania, which was attended by scientists and engineers from Russia, Ukraine and Kazakhstan.

Following is a DOE press release with details of the project, followed by Secretary Abraham's remarks:

(begin transcript)

Department of Energy
Washington, D.C.
www.energy.gov

November 5, 2003

ENERGY SECRETARY ABRAHAM AND RUSSIAN ATOMIC ENERGY MINISTER RUMYANTSEV ANNOUNCE FIRST EVER U.S.-RUSSIAN BUSINESS VENTURE IN CLOSED NUCLEAR CITY

- Joint venture to foster trade and investment between countries

PHILADELPHIA, PA - U.S. Energy Secretary Spencer Abraham and Russian Atomic Energy Minister Aleksandr Rumyantsev today announced the first joint venture project between a U.S. company and a Russian company founded in a closed nuclear city. This groundbreaking project, which furthers the nonproliferation efforts of the U.S. Department of Energy, will employ former Russian nuclear scientists to manufacture

medical components, equipment and devices.

A Russian nuclear city is a closed territory where nuclear weapons design and production takes place.

"This first foreign joint venture in any of the closed nuclear cities of Russia will represent yet another milestone in the Department of Energy's Russian Transition Initiatives (RTI) program," Secretary Abraham said. "To date this program has engaged nearly 15,000 weapons workers. Its successes have been critical to safeguarding vulnerable Russian nuclear expertise, facilities, and know-how."

The joint venture between Numotech, Inc., a Northridge, California medical devices company, and Spektr-Conversion, LLC, a Russian entrepreneurial start-up, will make life-changing medical products available to millions of people worldwide. Projects include the Back Support System, the first clinically-proven product to prevent and heal pressure ulcers for those confined to wheelchairs, and the Numobag, a unique oxygen bath system for healing wounds, pressure sores, burns and incisions.

Nearly 100 former employees of the Russian Federation's All Russian Scientific and Research Institute for Technical Physics (VNIITF), who previously worked on the manufacturing and design of nuclear weapons, are now employed at Spektr-Conversion. The company is now an independent research and development and prototype manufacturer, and is no longer associated with VNIITF. The Numotech-Spektr Conversion joint venture culminates three years of U.S. government support under the RTI and is expected to create over 400 permanent local jobs.

The Overseas Private Investment Corporation (OPIC) expects to support this joint venture through its commitment to provide a \$10 million loan to leverage additional funds from outside investors, along with a commitment of up to \$25 million in political risk insurance coverage for eligible equity investors.

"This significant partnership gives us a blueprint for future collaboration between U.S. companies and the talented scientists in the former Soviet Union," Secretary Abraham said.

Also involved in the joint venture is Sandia National Laboratories, a multi-program laboratory operated by the Lockheed Martin Company for DOE. Sandia validates the venture's technologies and provides technical assistance for the project. As an active participant in the RTI program, Sandia mentors Russian scientists in making the transition from defense to civilian industry.

Secretary Abraham and Minister Rumyantsev made the announcement at the first-ever Partnerships for Prosperity & Security exhibition-conference in Philadelphia, where world-class scientists and engineers from Russia, Ukraine and Kazakhstan unveiled 140 technologies, many of which have been previously inaccessible to U.S. companies.

The Department of Energy's RTI works in partnership with American industry to transform the infrastructure of the Russian nuclear weapons complex to permanent non-military, commercial uses. The program serves an important non-proliferation goal by re-directing Russian nuclear weapons scientists to non-nuclear efforts. RTI is implemented through two programs -- the Initiatives for Proliferation Prevention (IPP) and the Nuclear Cities Initiative (NCI).

(end press release)

(begin Abraham remarks)

November 5, 2003

"Partnerships for Prosperity & Security" Tradeshow and Conference
Joint Venture Announcement
Philadelphia, PA

REMARKS BY SECRETARY OF ENERGY SPENCER ABRAHAM

In my remarks a few moments ago I spoke of the tremendous importance of joint ventures between U.S.

companies and the best scientific minds from the former Soviet Union's weapons complex.

So it gives me great pleasure this morning to recognize another such groundbreaking joint venture.

Numotech, Inc. - a company based in Northridge, California, that specializes in medical devices and wound care treatment - is entering into an historic agreement with the Russian industrial engineering and design firm Spektr Conversion to manufacture highly specialized medical devices.

We have here one of the initial venture products- a wheelchair equipped with "active" seat and back cushions. These breakthrough cushion devices are designed to alleviate sustained pressure on any one part of the body, a painful and costly problem for wheelchair users.

This joint venture is an unprecedented achievement. When fully realized, it will create over 400 permanent local jobs for scientists from the Soviet Union's weapons complex.

This is, of course, very good news. What is particularly exciting is that, when finalized, it will be the first successful foreign venture in a Russian closed nuclear city - the closed city of Snezhinsk in the Ural Mountains. During the Cold War, C-70, as the city was then known, was vital to the Soviet Union's nuclear weapons program.

During the coming years, we believe Snezhinsk will be a leader in the production and development of peaceful cutting-edge technologies with widespread commercial application and serve as an example for other scientists who seek an alternative to weapons work.

This first foreign joint venture in any of the closed nuclear cities of Russia will represent yet another milestone in the Department of Energy's Russian Transition Initiatives program. To date this program has engaged nearly 15,000 weapons workers. Its successes have been critical to safeguarding vulnerable Russian nuclear expertise, facilities, and know-how.

I want to commend a number of individuals, particularly my Minatom counterpart, Minister Alexander Rumyantsev; Terri Olascoaga, from Sandia National Laboratories; Michael Lempres, Vice President of Insurance of the Overseas Private Investment Corporation; Vic Alessi of the United States Industry Coalition; Jarius DeWalt, of the M.R. Beal and Company Investment Banking firm; and, not least, Spektr-Conversion Director Anatoly Ivanov and Numotech President Dr. Robert Felton.

Their cooperation and dedication in the face of numerous obstacles has resulted in today's historic agreement. This significant partnership gives us a blueprint for future collaboration between US companies and the talented scientists in the former Soviet Union

I wish everyone success in this groundbreaking endeavor.

I am going to ask the Minister to say a few words, and after that we would like Dr. Felton, Ms. Olascoaga, and Director Ivanov to join us at the podium for a presentation.

(end transcript)

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